Part II: The Turnover of Capital

Chapter 17: The Circulation of Surplus Value

We have just seen that a difference in the period of turnover causes a difference in the annual rate of surplus-value, even if the mass of the annually produced surplus-value is the same.

But there are furthermore necessarily differences in the capitalisation of surplus-value, in *accumulation*, and also in the quantity of surplus-value produced during the year, while the rate of surplus-value remains the same.

To begin with, we note that capital A (in the illustration of the preceding chapter) has a current periodical revenue, so that with the exception of the period of turnover inaugurating the business, it pays for its own consumption within the year out of its production of surplus-value, and need not cover it by advances out of its own funds. But the latter has to be done in the case of B. While it produces as much surplus-value in the same intervals of time as A, the surplus-value is not realised and therefore cannot be consumed either productively or individually. So far as individual consumption is concerned, the surplus-value is anticipated. Funds for that purpose must be advanced.

One portion of the productive capital, which it is difficult to classify namely the additional capital required for the repair and maintenance of the fixed capital, is now likewise seen in a new light.

In the case of A this portion of capital is not advanced — in full or for the greater part — at the beginning of production. It need not be available or even in existence. It comes out of the business itself by a direct transformation of surplus-value into capital, i.e., by its direct employment as capital. A part of the surplus-value which is not only periodically generated but also realised during the year can defray the expenditures that must be incurred for repairs, etc. A portion of the capital needed to carry on the business on its original scale is thus produced in the course of business by the business itself by means of capitalising part of the surplus-value. This is impossible for capital B. The portion of capital in question must in his case form a part of the capital originally advanced. In both cases this portion will figure in

the books of the capitalists as an advanced capital, which it really is, since according to our assumption it forms a part of the productive capital required for maintaining the business on a certain scale. But it makes all the difference in the world out of which funds it is advanced. In the case of B it is really a part of the capital to be originally advanced or held available. In the case of A on the other hand it is a part of the surplus-value used as capital. This last case shows that not only the accumulated capital but also a portion of the originally advanced capital may simply be capitalised surplus-value.

As soon as the development of credit interferes, the relation between originally advanced capital and capitalised surplus-value becomes still more complicated. For instance from not having sufficient capital of his own at the very outset for this purpose, A borrows from banker C a portion of the productive capital with which he starts in business or continues it during the year. Banker C lends him a sum of money which consists only of surplus-value deposited with the banker by capitalists D, E, F, etc. As far as A is concerned there is as yet no question of accumulated capital. But with regard to D, E, F, etc., A is, in fact, nothing but an agent capitalising surplus-value appropriated by them.

We have seen (Buch I, Kap. XXII) [English edition: Ch. XXIV. — *Ed*.] that accumulation, the conversion of surplus-value into capital, is essentially a process of reproduction on a progressively increasing scale, whether this expansion is expressed extensively in the form of an addition of new factories to the old, or intensively by the enlargement of the existing scale of operation.

The expansion of the scale of production may proceed in small portions, a part of the surplus-value being used for improvements which either simply increase the productive power of the labour employed or permit at the same time of its more intensive exploitation. Or, where the working-day is not legally limited, an additional expenditure of circulating capital (in materials of production and wages) suffices to enhance the production scale without an expansion of the fixed capital, whose daily time of employment is thus merely lengthened, while its period of turnover is correspondingly shortened. Or the capitalised surplus-value may, under favourable market conditions, permit of speculation in raw materials, operations for which the capital originally advanced would not have been sufficient, etc.

However it is clear that in cases where the greater number of periods of turnover brings with it a more frequent realisation of surplus-value during the year, there will be periods in which there can be neither a prolongation of the working-day nor an introduction of improvements in details; on the other hand a proportional expansion of the whole business, partly by expanding its entire plant, the buildings for example, partly by enlarging the cultivated areas in agriculture, is possible only

within certain more or less narrow limits and, besides, requires such a volume of additional capital as can be supplied only by several years' accumulation of surplus-value.

Along with the real accumulation or conversion of surplus-value into productive capital (and a corresponding reproduction on an extended scale), there, is then, an accumulation of money, a raking together of a portion of the surplus-value in the form of latent money-capital, which is not intended to function as additional active capital until later, when it swells to a certain volume.

That is how the matter looks from the standpoint of the individual capitalist. But simultaneously with the development of capitalist production the credit system also develops. The money-capital which the capitalist cannot as yet employ in his own business is employed by others, who pay him interest for its use. It serves him as money-capital in its specific meaning, as a kind of capital distinguished from productive capital. But it serves as capital in another's hands. It is plain that with the more frequent realisation of surplus-value and the rising scale on which it is produced, there is an increase in the proportion of new money- capital or money as capital thrown upon the money-market and then absorbed — at least the greater part of it — by extended production.

The simplest form in which the additional latent money-capital may be represented is that of a hoard. It may be that this hoard is additional gold or silver secured directly or indirectly in exchange with countries producing precious metals. And only in this manner does the hoarded money in a country grow absolutely. On the other hand it may be — and is so in the majority of cases — that this hoard is nothing but money which has been withdrawn from circulation at home and has assumed the form of a hoard in the hands of individual capitalists. It is furthermore possibly that this latent money-capital consists only of tokens of value — we still ignore credit-money at this point — or of mere claims of capitalists (titles) against third persons conferred by legal documents. In all such cases, whatever may be the form of existence of this additional money-capital, it represents, so far as it is capital *in spe*, nothing but additional and reserved legal titles of capitalists to future annual additional social production.

"The mass of real accumulated wealth, in point of magnitude. . . is so utterly insignificant when compared with the powers of production of the same society in whatever state of civilisation, or even compared with the actual consumption for even a few years of that society, that the great attention of legislators and political economists should be directed to `productive powers' and their future free development, and not, as hitherto, to the mere accumulated wealth that strikes the eye. Of what is called accumulated wealth, by far the greater part is only nominal,

consisting not of any real things, ships, houses, cottons, improvements on land, but of mere demands on the future annual productive powers of society, engendered and perpetuated by the expedients or institutions of insecurity. . . . The use of such articles (accumulations of physical things or actual wealth) as a mere means of appropriating to their possessors the wealth to be created by the future productive powers of society, being that alone of which the natural laws of distribution would, without force, gradually deprive them, or, if aided by cooperative labour, would in a very few years deprive them." (William Thompson, *An Inquiry into the Principles of the Distribution of Wealth*, London, 1850, p. 453. This book originally appeared in 1824.)

"It is little thought, by most persons not at all suspected, how very small a proportion, either in extent or influence, the actual accumulations of society bear to human productive powers, even to the ordinary consumption of a few years of a single generation. The reason is obvious; but the effect very pernicious. The wealth that is annually consumed, disappearing with its consumption, is seen but for a moment, and makes no impression but during the act of enjoyment or use. But that part of wealth which is of slow consumption, furniture, machinery, buildings, from childhood to old age stand out before the eye, the durable monuments of human exertion. By means of the possession of this fixed, permanent, or slowly consumed, part of national wealth, of the land and materials to work upon, the tools to work with, the houses to shelter whilst working, the holders of these articles command for their own benefit the yearly productive powers of all the really efficient productive labourers of society, though these articles may bear ever so small a proportion to the recurring products of that labour. The population of Britain and Ireland being twenty millions, the average consumption of each individual, man, woman, and child, is probably about twenty pounds, making four hundred millions of wealth, the product of labour annually consumed. The whole amount of the accumulated capital of these countries, it has been estimated, does not exceed twelve hundred millions, or three times the year's labour of the community; or, if equally divided, sixty pounds capital for every individual. `Tis with the proportions, rather than with the absolute accurate amount of these estimated sums, we are concerned. The interest of this capital stock would support the whole population in the same comfort in which they now exist, for about two months of one year, the whole accumulated capital itself would maintain them in idleness (could purchasers be found) for three years! at the end of which time, without houses, clothes, or food, they must starve, or become the slaves of those who supported them in the three years idleness. As three years to the life of one healthy generation, say forty years, so is the magnitude and importance of the actual wealth, the accumulated capital of even the wealthiest community, to the productive powers of only one generation; not of what, under judicious arrangements of equal security, they might produce, particularly with the aid of cooperative labour, but of what, under the defective and depressing

expedients of insecurity, they do absolutely produce! . . . The seeming mighty mass of existing capital to maintain and perpetuate which (or rather the command of the products of yearly labour which it serves as the means of engrossing). . . in its present state of forced division, are all the horrible machinery, the vices, crimes, and miseries of insecurity, sought to be perpetuated. As nothing can be accumulated without first supplying necessaries, and as the great current of human inclination is to enjoyment; hence the comparatively trifling amount of the actual wealth of society at any particular moment. `Tis an eternal round of production and consumption. From the amount of this immense mass of annual consumption and production, the handful of actual accumulation would hardly be missed; and yet it is to this handful, and not to the mass of productive powers that attention has chiefly been directed. This handful, however, having been seized upon by a few, and been made the instrument of converting to their use the constantly recurring annual products of the labour of the great majority of their fellow-creatures; hence, in the opinion of these few, the paramount importance of such an instrument. . . . About one-third part of the annual products of the labour of these countries is now abstracted from the producers, under the name of public burdens, and unproductively consumed by those who give no equivalent, that is to say, none satisfactory to the producers. . . . With the accumulated masses, particularly when held forth in the hands of a few individuals, the vulgar eye has been always struck. The annually produced and consumed masses, like the eternal and incalculable waves of a mighty river, roll on and are lost in the forgotten ocean of consumption. On this eternal consumption, however, are dependent, not only for almost all gratifications, but even for existence, the whole human race. The quantity and distribution of these yearly products ought to be the paramount objects of consideration. The actual accumulation is altogether of secondary importance, and derives almost the whole of that importance from its influence on the distribution of the yearly productions. . . . Actual accumulations and distributions have been always considered (in Thompson's works) in reference, and subordinate to actual accumulations, and to the perpetuating of the existing modes of distribution. In comparison to the preservation of the actual distribution, the ever recurring misery of happiness of the whole human race has been considered as unworthy of regard. To perpetuate the results of force, fraud, and chance, has been called security; and to the support of this spurious security, have all the productive powers of the human race been unrelentingly sacrificed." (*Ibid*., pp. 440-43.)

For reproduction only two normal cases are possible, apart from disturbances, which interfere with reproduction even on a fixed scale:

- There is either reproduction on a simple scale.
- Or there is capitalisation of surplus-value, accumulation.

I. Simple Reproduction

In the case of simple reproduction the surplus-value produced and realised annually, or periodically, if there are several turnovers during the year, is consumed individually, that is to say, unproductively, by its owner, the capitalist.

The circumstance that the value of the product consists in part of surplus-value and in part of that portion of value which is formed by the variable capital reproduced in the product plus the constant capital consumed by it, does not alter anything whatever either in the quantity or in the value of the total product, which constantly steps into circulation as commodity-capital and is just as constantly withdrawn from it, in order to be productively or individually consumed, i.e., to serve as means of production or consumption. if constant capital is left aside, only the distribution of the annual product between the labourers and the capitalists is affected thereby.

Even if simple reproduction is assumed, a portion of the surplus-value must therefore always exist in the form of money and not of products, because otherwise it could not be converted for purposes of consumption from money into products. This conversion of the surplus-value from its original commodity-form into money must be further analysed at this place. In order to simplify the matter, we shall presuppose the most elementary form of the problem, namely the exclusive circulation of metal coin, of money which is a real equivalent.

According to the laws of the simple circulation of commodities (developed in Buch I, Kap. III), [English edition: Ch. III. — *Ed*.] the mass of the metal coin existing in a country must not only be sufficient to circulate the commodities, but must also suffice to meet the currency fluctuations, which arise partly from fluctuations in the velocity of the circulation, partly from a change in the prices of commodities, partly from the various and varying proportions in which the money functions as a medium of payment or as a medium of circulation proper. The proportion in which the existing quantity of money is split into a hoard and money in circulation varies continually, but the total quantity of money is always equal to the sum of the money hoarded and the money circulating. This quantity of money (quantity of precious metal) is a gradually accumulated hoard of society. Since a portion of this hoard is consumed by wear and tear, it must be replaced annually, the same as any other product. This takes place in reality by a direct or indirect exchange of a part of the annual product of a particular country for the product of countries producing gold and silver. However, this international character of the transaction conceals its simple course. In order to reduce the problem to its simplest and most lucid expression, it must be assumed that the production of gold and silver takes place in

that particular country itself, that therefore the production of gold and silver constitutes a part of the total social production within every country.

Apart from the gold and silver produced for articles of luxury, the minimum of their annual production must be equal to the wear of metal coin annually occasioned by the circulation of money. Furthermore, if the sum of the values of the annually produced and circulating quantity of commodities increases, the annual production of gold and silver must likewise increase, inasmuch as the increased sum of values of the circulating commodities and the quantity of money required for their circulation (and the corresponding formation of a hoard) are not made good by a greater velocity of money currency and a more comprehensive function of money as a medium of payment, i.e., by a greater mutual balancing of purchases and sales without the intervention of actual money.

A portion of the social labour-power and a portion of the social means of production must therefore be expended annually in the production of gold and silver.

The capitalists who are engaged in the production of gold and silver and who, according to our assumption of simple reproduction, carry on their production only within the bounds of the annual average wear and tear and the annual average consumption of gold and silver entailed thereby throw their surplus-value — which they consume annually, according to our assumption, with-out capitalising any of it — directly into circulation in the money-form, which is its natural form; unlike the other branches of production, where it is the converted form of the product.

Furthermore, as far as wages are concerned — the money-form in which the variable capital is advanced — they are also not replaced by the sale of the product, by its conversion into money, but by a product itself whose natural form is from the outset that of money.

Finally the same applies also to that portion of the product of precious metals which is equal to the value of the periodically consumed constant capital, both the constant circulating and constant fixed capital consumed during the year.

Let us consider the circuit, or turnover, of the capital invested in the production of precious metals first in the form of M—C . . . P . . . M'. Since C in M—C consists not only of labour-power and means of production but also of fixed capital, only a part of whose value is consumed in P, it is evident that M', the product, is a sum of money equal to the variable capital laid out in wages plus the circulating constant capital laid out in means of production plus a portion of the value equivalent to the worn-out fixed capital plus the surplus-value. If the sum were smaller, the general

value of gold remaining the same, then the mine would be unproductive or, if this got to be generally the case, the value of gold compared with the value of commodities that remains unchanged would subsequently rise; i.e., the prices of commodities would fall, so that henceforth the amount of money laid out in M—C would be smaller.

If we consider at first only the circulating portion of capital advanced in M, the starting-point of M—C . . . P . . . M', we find that a certain sum of money is advanced, thrown into circulation for the payment of labour-power and the purchase of materials of production. But this sum is not withdrawn from circulation by the circuit of *this* capital, in order to be thrown into it anew. The product is money even in its bodily form; there is no need therefore of transforming it into money by means of exchange, by a process of circulation. It passes from the process of production into the sphere of circulation, not in the form of commodity-capital which has to be reconverted in money-capital, but as money-capital which is to be reconverted into productive capital, i.e., which is to buy fresh labour-power and materials of production. The money-form of the circulating capital consumed in labour-power and means of production is replaced, not by the sale of the product, but by the bodily form of the product itself; hence, not by once more withdrawing its value from circulation in money-form, but by additional newly produced money.

Let us suppose that this circulating capital is £500, the period of turnover 5 weeks, the working period 4 weeks, the period of circulation only 1 week. From the outset, money for 5 weeks must be partly advanced for a productive supply, and partly be ready to be paid out gradually in wages. At the beginning of the 6th week, £400 will have returned and £100 will have been released. This is constantly repeated. Here, as in previous cases, £100 will always be found in released form during a certain time of the turnover. But they consist of additional, newly produced, money, the same as the other £400. We have in this case 10 turnovers per year and the annual product is £5,000 in gold. (The period of circulation is not constituted, in this case, by the time required for the conversion of commodities into money, but by that required for the conversion of money into the elements of production.)

In the case of every other capital of £500 turned over under the same conditions, the ever renewed money-form is the converted form of the commodity-capital produced and thrown into circulation every 4 weeks and which by its sale — that is to say, by a periodical withdrawal of the quantity of money it represented when it originally entered into the process — assumes this money-form anew over and over again. Here, on the contrary, in every turnover period a new additional £500 in money is thrown from the process of production itself into circulation, in order to withdraw from it continually materials of production and labour-power. This money thrown into circulation is not withdrawn from it again by the circuit which this

capital describes, but is rather increased by quantities of gold constantly produced anew.

Let us look at the variable portion of this circulating capital, and assume that it is, as before, £100. Then these £100 would be sufficient in the ordinary production of these commodities, with 10 turnovers, to pay continually for the labour-power. Here, in the production of gold, the same amount is sufficient. But the £100 of the reflux, with which the labour-power is paid every 5 weeks, are not a converted form of its product but a portion of this ever renewed product itself. The producer of gold pays his labourers directly with a portion of the gold they themselves produced. The £1,000 thus expended annually in labour-power and thrown by the labourers into circulation do not return therefore via this circulation to their starting-point.

Furthermore, so far as the fixed capital is concerned, it requires the investment of a comparatively large money-capital on the original establishment of the business, and this capital is thus thrown into circulation. Like all fixed capital it returns only piecemeal in the course of years. But it returns as a direct portion of the product, of the gold, not by the sale of the product and its consequent conversion into money. In other words, it gradually assumes its money-form not by a withdrawal of money from the circulation but by an accumulation of a corresponding portion of the product. The money-capital so restored is not a quantity of money gradually withdrawn from the circulation to compensate for the sum originally thrown into it for the fixed capital. It is an additional sum of money.

Finally, as concerns the surplus-value, it is likewise equal to a certain portion of the new gold product, which is thrown into the circulation in every new period of turnover in order to be unproductively expended, according to our assumption, on means of subsistence and articles of luxury.

But according to our assumption, the entire annual production of gold — which continually withdraws labour-power and materials of production, but no money, from the market, while continuously adding fresh quantities of money to it — merely replaces the money worn out during the year, hence only keeps intact the quantity of social money which exists constantly, although in varying portions, in the two forms of hoarded money and money in circulation.

According to the law of the circulation of commodities, the quantity of money must be equal to the amount of money required for circulation plus a certain amount held in the form of a hoard, which increases or decreases as the circulation contracts or expands, and serves especially for the formation of the requisite reserve funds of means of payment. What must be paid in money in so far as there

is no balancing of accounts — is the value of the commodities. The fact that a portion of this value consists of surplus-value, that is to say, did not cost the seller of the commodities anything, does not alter the matter in any way. Let us suppose that the producers are all independent owners of their means of production, so that circulation takes place between the immediate producers themselves. Apart from the constant portion of their capital, their annual value-product might then be divided into two parts, analogous with capitalist conditions: Part a, replacing only the necessary means of subsistence, and part b, consumed partly in articles of luxury, partly for an expansion of production. Part a then represents the variable capital, part b the surplus-value. But this division would remain without influence on the magnitude of the sum of money required for the circulation of their total product. Other circumstances remaining equal, the value of the circulating mass of commodities would be the same, and thus also the amount of money required for that value. They would also have to have the same money-reserves if the turnover periods are equally divided, i.e., the same portion of their capital would always have to be held in the form of money, because their production, according to our assumption, would be commodity production, the same as before. Hence the fact that a portion of the value of the commodities consists of surplus-value would change absolutely nothing in the quantity of the money required for the running of the business.

An opponent of Tooke, who clings to the formula M—C—M', asks him how the capitalist manages always to withdraw more money from circulation than he throws into it. Mind you! The question at issue here is not the *formation* of surplus-value. This, the only secret, is a matter of course from the capitalist standpoint. The sum of values employed would not be capital if it did not enrich itself by means of surplus-value. But as it is capital by assumption, surplus-value is taken for granted.

The question, then, is not where the surplus-value comes from but whence the money comes into which it is turned.

But in bourgeois economics, the existence of surplus-value is self-understood. It is therefore not only assumed but also connected with the further assumption that a part of the mass of commodities thrown into circulation is a surplus-product, hence representing a value which the capitalist did not throw into circulation as part of his capital; that, consequently, with his product the capitalist throws into circulation a surplus over and above his capital, and that he withdraws this surplus from it.

The commodity-capital, which the capitalist throws into circulation, has a greater value (it is not explained and remains obscure where this comes from, but the above Political Economy considers it a fact) than the productive capital which he withdrew from circulation in the form of labour-power plus means of production.

On the basis of this assumption it is evident why not only capitalist A, but also B, C, D, etc., are always able to withdraw more value from circulation by the exchange of their commodities than the value of the capital originally and repeatedly advanced by them. A, B, C, D, and the rest continuously throw a greater commodity-value into circulation in the form of commodity-capital — this operation is as many-sided as the various independently functioning capitals — than they withdraw from it in the form of productive capital. Hence they have constantly to divide among themselves a sum of values (i.e., everyone, on his part, has to withdraw from circulation a productive capital) equal to the sum of values of the productive capitals they respectively advanced; and just as constantly they have to divide among themselves a sum of values which they all, from all sides, throw into circulation in the form of commodities representing the respective excesses of the commodity-values above the values of their elements of production.

But the commodity-capital must be turned into money before its reconversion into productive capital and before the surplus-value contained in it is spent. Where does the money for this purpose come from? This question seems difficult at the first glance and neither Tooke nor any one else has answered it so far.

Let the circulating capital of £500 advanced in the form of money-capital, whatever its period of turnover, now stand for the total circulating capital of society, that is, of the capitalist class. Let the surplus-value be £100. How can the entire capitalist class manage to draw continually £600 out of circulation, when it continually throws only £500 into it?

After the money-capital of £500 has been converted into productive capital, the latter transforms itself within the process of production into commodities worth £600 and there are in circulation not only commodities valued at £500, equal to the money-capital originally advanced, but also a newly produced surplus-value of £100.

This additional surplus-value of £100 is thrown into circulation in the form of commodities. No doubt about that. But such an operation does not by any means furnish the additional money for the circulation of this additional commodity-value.

It will not do to obviate this difficulty by plausible subterfuges.

For instance: So far as the constant circulating capital is concerned, it is obvious that not all invest it simultaneously. While capitalist A sells his commodities, so that his advanced capital assumes the form of money, there is on the other hand the available money-capital of the buyer B which assumes the form of his means of production — precisely what A is producing. By the same act through which A

restores the money-form to his produced commodity-capital, B returns his capital to its productive form, transforms it from money-form into means of production and labour-power; the same amount of money functions in the two-sided process as in every simple purchase C—M. On the other hand when A reconverts his money into means of production, he buys from C, and this man pays B with it, etc., and thus the transaction would be explained. But:

None of the laws established with reference to the quantity of the circulating money in the circulation of commodities (Buch I, Kap. III), [English edition: Ch. III. — *Ed*.] are changed in any way by the capitalist character of the process of production.

Hence, when one says that the circulating capital of society to be advanced in the form of money amounts to £500, one has already taken into account that this is on the one hand the sum simultaneously advanced, and that on the other hand it sets in motion more productive capital than £500 because it serves alternately as the money-form of various productive capitals. This manner of explanation, then, assumes the money, whose existence it is called upon to explain, as already existing.

It might be further said: Capitalist A produces articles which capitalist B consumes individually, unproductively. B's money therefore turns A's commodity-capital into money and thus the same sum of money serves to realise B's surplus-value and A's circulating constant capital. But in that case the question that still awaits solution is assumed still more directly to have been solved, namely: where does B get the money that makes up his revenue? How did he himself realise this portion of the surplus-value of his product?

It might also be said that the part of the circulating variable capital which A steadily advances to his labourers returns to him steadily from the circulation, and only a varying part of it always stays with him for the payment of wages. But a certain time elapses between the expenditure and the reflux, and meanwhile the money paid out for wages might, among other uses, serve for the realisation of surplus-value.

But we know in the first place that the longer this time the greater must be the supply of money which capitalist A must keep constantly *in petto*. In the second place the labourer spends the money, buys commodities for it and thus converts into money *pro tanto* the surplus-value contained in them. Consequently the same money that is advanced in the form of variable capital serves *pro tanto* also the purpose of turning surplus-value into money. Without penetrating any further into the question at this point, let this suffice: the consumption of the entire capitalist class and its retainers keeps step with that of the working-class; hence simultaneously with the money thrown into circulation by the labourers the

capitalists too must throw money into it, in order to spend their surplus-value as revenue. Hence money must be withdrawn from circulation for it. This explanation would serve merely to reduce, but not eliminate, the quantity of money required.

Finally, it might be said: A large amount of money is constantly thrown into circulation when fixed capital is first invested, and it is recovered from the circulation only gradually, piecemeal, after a lapse of years, by him who threw it into circulation. Cannot this sum suffice to convert the surplus-value into money?

The answer to this must be that perhaps the sum of £500 (which includes hoard formation for needed reserve funds) implies its employment as fixed capital, if not by him who threw it into circulation, then by somebody else. Besides, it is already assumed in regard to the amount expended for the procurement of products serving as fixed capital that the surplus-value contained in them is also paid, and the question is precisely where this money comes from.

The general reply has already been given: If a mass of commodities worth x times £1,000 has to circulate, it changes absolutely nothing in the quantity of the money required for this circulation whether the value of this mass of commodities has been produced capitalistically or not. The problem itself therefore does not exist. All other conditions being given, such as velocity of the currency of money, etc., a definite sum of money is required in order to circulate commodities worth x times £1,000 quite independently of how much or how little of this value falls to the share of the direct producers of these commodities. So far as any problem exists here, it coincides with the general problem: Where does the money required for the circulation of the commodities of a country come from?

However, from the point of view of capitalist production, the *semblance* of a special problem does indeed exist. In the present case it is the capitalist who appears as the point of departure, who throws money into circulation. The money which the labourer expends for the payment of his means of subsistence existed previously as the money-form of the variable capital and was therefore thrown originally into circulation by the capitalist as a means of buying or paying for the labour-power. The capitalist furthermore throws into circulation the money which constitutes originally the money-form of his constant, fixed and circulating, capital; he expends it as a means of purchase or payment for instruments of labour and materials of production. But beyond this the capitalist no longer appears as the starting-point of the quantity of money in circulation. Now, there are only two points of departure: the capitalist and the labourer. All third categories of persons must either receive money for their services from these two classes or, to the extent that they receive it without any services in return, they are joint owners of the surplus-value in the form of rent, interest, etc. That the surplus-value does not all stay in the pocket of

the industrial capitalist but must be shared by him with other persons, has nothing to do with the present question. The question is how he turns his surplus-value into money, not how the proceeds are later divided. For out purposes the capitalist may as well still be regarded as the sole owner of the surplus-value. As for the labourer, it has already been said that he is but the secondary, while the capitalist is the primary, starting-point of the money thrown by the labourer into circulation. The money first advanced as variable capital is going through its second circulation when the labourer spends it to pay for means of subsistence.

The capitalist class remains consequently the sole point of departure of the circulation of money. If the need £400 for the payment of means of production and £100 for the payment of labour-power, they throw £500 into circulation. But the surplus-value incorporated in the product, with a rate of surplus-value incorporated in the product, with a rate of surplus-value of 100%, is equal in value to £100. How can they continually draw £600 out of circulation, when they continually throw only £500 into it? Nothing comes from nothing. The capitalist class as a whole cannot draw out of circulation what was not previously thrown into it.

We disregard here the fact that the sum of £400 may suffice, when turned over ten times, to circulate means of production valued at £4,000 and labour-power valued at £1,000, and that the other £100 may likewise suffice for the circulation of £1,000 worth of surplus-value. The ratio of the sum of money to the value of commodities circulated by it is immaterial here. The problem remains the same. Unless the same pieces of money circulate several times, a capital of £5,000 must be thrown into circulation, and £1,000 is required to convert the surplus-value into money. The question is where this money comes from, whether it is £1,000 or £100. In any event it is in excess of the money-capital thrown into the circulation.

Indeed, paradoxical as it may appear at first sight, it is the capitalist class itself that throws the money into circulation which serves for the realisation of the surplus-value incorporated in the commodities. But, *nota bene*, it does not throw it into circulation as advanced money, hence not as capital. It spends it as a means of purchase for its individual consumption. The money is not therefore advanced by the capitalist class, although it is the point of departure of its circulation.

Let us take some individual capitalist who is starting in business, a farmer for instance. During the first year, he advances a money-capital of, say, £5,000, paying £4,000 for means of production, and £1,000 for labour-power. Let the rate of surplus-value be 100%, the amount of surplus-value appropriated by him £1,000. The above £5,000 comprise all the money he advances as money-capital. But the man must also live, and he does not take in any money until the end of the year. Take it that his consumption amounts to £1,000. These he must have in his

possession. He may say that he has to advance himself these £1,000 during the first year. But this advance, which here has only a subjective meaning, denotes nothing else but that he must pay for his individual consumption during the first year out of his own pocket instead of defraying it out of the gratuitous production of his labourers. He does not advance this money as capital. He spends it, pays it out for an equivalent in means of subsistence which he consumes. This value has been spent by him in money, thrown into circulation and withdrawn from it in the form of commodity-values. These commodity-values he has consumed. He has thus ceased to bear any relation to their value. The money with which he paid for this value exists now as an element of the circulating money. But he has withdrawn the value of this money from circulation in the form of products; and this value is now destroyed together with the products in which it existed. It's all gone. But at the end of the year he throws commodities worth £6,000 into circulation and sells them. By this means he recovers: 1) his advanced money-capital of £5,000; 2) the realised surplus-value of £1,000. He has advanced as capital, has thrown into circulation, £5,000, and he withdraws from it £6,000 — £5,000 of which cover his capital, and £1,000 his surplus-value. The last £1,000 are turned into money with the money which he himself has thrown into circulation, which he did not advance, but spent as a consumer, not as a capitalist. They now return to him as the money-form of the surplus-value produced by him. And henceforth this operation is repeated every year. But beginning with the second year, the £1,000 which he spends are constantly the converted form, the money-form, of the surplus-value produced by him. He spends them annually and they return to him annually.

If his capital were turned over more frequently a year, it would not alter this state of affairs, but would affect the length of time, and hence the amount which he would have to throw into circulation for his individual consumption over and above his advanced money-capital.

This money is not thrown into circulation by the capitalist as capital. But it is a decided trait of the capitalist to be able to live on means in his possession until surplus-value begins to return.

In the present case we assumed that the sum of money which the capitalist throws into circulation to pay for his individual consumption until the first returns of his capital is exactly equal to the surplus-value which he produced and hence must turn into money. This is obviously an arbitrary assumption so far as the individual capitalist is concerned. But it must be correct when applied to the entire capitalist class is simple reproduction is assumed. It only expresses the same thing as the assumption; namely, that the entire surplus-value, and it alone — hence no fraction of the original capital stock — is consumed unproductively.

It had been previously assumed that the total production of precious metals (taken to be equal to £500) sufficed only for the replacement of the wear and tear of the money.

The capitalists producing gold possess their entire product in gold — that portion which replaces constant capital as well as that which replaces variable capital, and also that consisting of surplus-value. A portion of the social surplus-value therefore consists of gold, and not of a product which is turned into gold only in the process of circulation. It consists from the outset of gold and is thrown into circulation in order to draw products out of it. The same applies here to wages to variable capital, and to the replacement of the advanced constant capital. Hence, whereas one part of the capitalist class throws into circulation commodities greater in value (greater by the amount of the surplus-value) than the money-capital advanced by them, another part of the capitalists throws into circulation money of greater value (greater by the amount of surplus-value) than that of the commodities which they constantly withdraw from circulation for the production of gold. Whereas one part of the capitalists constantly pumps more money out of the circulation than it pours into it, the part that produces gold constantly pumps more money into it than it takes out in means of production.

Although a part of this product of £500 in gold is surplus-value of the gold-producers, the entire sum is, nonetheless, intended only to replace the money necessary for the circulation of commodities. It is immaterial for this purpose how much of this gold turns into money the surplus-value incorporated in the commodities, and how much of it their other value constituents.

Transferring the production of gold from one country to another produces no change whatever in the matter. One part of the social labour-power and the social means of production of country A is converted into a product, for instance linen, valued at £500, which is exported to country B in order to buy gold there. The productive capital thus employed in the country A throws no more commodities — as distinct from money — upon the market of country A than it would it if were employed directly in the production of gold. This product of A represents £500 in gold and enters into the circulation of this country only as money. That portion of the social surplus-value which is contained in this product exists for country A directly in the form of money, and never in any other form. Although for the gold-producing capitalists only a part of the product represents surplus-value, and another part of the replacement capital, still the question of how much of this gold, outside the circulating constant capital, replaces variable capital and how much of it represents surplus-value depends exclusively on the respective ratios of wages and surplus-value to the value of the circulating commodities. The part which forms surplus-value is distributed among the diverse members of the capitalist class.

Although that part is continually spent by them for individual consumption and recovered by the sale of new products — it is precisely this purchase and sale that circulates among them the money required for the conversion of the surplus-value into money — there is nevertheless a portion of the social surplus-value, in the form of money, even if in varying proportions, in the pockets of the capitalists, just as a portion of the wages stays at least during part of the week in the pockets of the labourers in the form of money. And this part is not limited by that part of the money product which originally forms the surplus-value of the gold-producing capitalists, but, as we have said, is limited by the proportion in which the above product of £500 is generally distributed between capitalists and labourers, and in which the commodity-supply to be circulated consists of surplus-value and the other constituents of value.

However that portion of surplus-value which does not exist in other commodities but alongside of them in the form of money, consists of a portion of the annually produced gold only to the extent that a portion of the annual production of gold circulates for the realisation of the surplus-value. The other portion of money, which is continually in the hands of the capitalist class in varying portions, as the money-form of their surplus-value, is not an element of the annually produced gold, but of the mass of money previously accumulated in the country.

According to our assumption the annual production of gold, £500, just covers the annual wear of money. If we keep in mind only these £500 and ignore that portion of the annually produced mass of commodities which is circulated by means of previously accumulated money, the surplus-value produced in commodity-form will find in the circulation process money for its conversion into money for the simple reason that on the other side surplus-value is annually produced in the form of gold. The same applies to the other parts of the gold product of £500 which replace the advanced money-capital.

Now, two things are to be noted here.

In the first place, it follows that the surplus-value spent by the capitalists as money, as well as the variable and other productive capital advanced by them in money, is actually the product of labourers, namely of the labourers engaged in the production of gold. They produce anew not only that portion of the gold product which is "advanced" to them as wages but also that portion of the gold product in which the surplus-value of the capitalist gold-producers is directly represented. Finally, as for that portion of the gold product which replaces only the constant capital-value advanced for its production, it re-appears in the form of money (or product in general) only through the annual work of the labourers. When the business started, it was originally expended by the capitalist in the form of money,

which was not newly produced but formed a part of the circulating mass of social money. But to the extent that it is replaced by a new product, by additional gold, it is the annual product of the labourer. The advance on the part of the capitalist appears here, too, merely as a form which owes its existence to the fact that the labourer is neither the owner of his own means of production nor able to command, during production, the means of subsistence produced by other labourers.

In the second place however, as far as concerns that mass of money which exists independently of his annual replacement of £500 partly in the form of a hoard and partly in the form of circulating money, things must be, or rather must have been originally with it just as they are annually with regard to these £500. We shall return to this point at the close of this sub-section. [See: pp. 347-48 of this book. — *Ed*.] But before then we wish to make a few additional remarks.

We have seen during our study of the turnover that, other circumstances remaining equal, changes in the length of the periods of turnover require changes in the amounts of money-capital, in order to carry on production on the same scale. The elasticity of the money-circulation must therefore be sufficient to adapt itself to this alternation of expansion and contraction.

If we furthermore assume other circumstances as remaining equal — including the length, intensity, and productivity of the working-day — but *a different division of the value of the product* between wages and surplus-value, so that either the former rises and the latter falls, or vice versa, the mass of the circulating money is not affected thereby. This change can take place without any expansion or contraction of the money currency. Let us consider particularly the case in which there is a general rise in wages, so that, under the assumptions made, there will be a general fall in the rate of surplus-value, but besides this, also according to our assumption, there will be no change in the value of the circulating mass of commodities. In this case there naturally is an increase in the money-capital which must be advanced as variable capital, hence in the amount of money which performs this function. But the surplus-value, and therefore also the amount of money required for its realisation, decreases by exactly the same amount by which the amount of money required for the function of variable capital increases. The amount of money required for the realisation of the commodity-value is not affected thereby, any more than this commodity-value itself. The cost price of the commodity rises for the individual capitalist but its social price of production remains unchanged. what is changed is the proportion in which, apart from the

constant part of the value, the price of production of commodities is divided into wages and profit.

But, it is argued, a greater outlay of variable money-capital (the value of the money is, of course, considered constant) implies a larger amount of money in the hands of the labourers. This causes a greater demand for commodities on the part of the labourers. This, in turn, leads to a rise in the price of commodities. — Or it is said: If wages rise, the capitalists raise the prices of their commodities. — in either case, the general rise in wages causes a rise in commodity prices. Hence a greater amount of money is needed for the circulation of the commodities, no matter how the rise in prices is explained.

Reply to the first formulation: in consequence of a rise in wages, the demand of the labourers for the necessities of life will rise particularly. Their demand for articles of luxury will increase to a lesser degree, or a demand will develop for things which formerly did not come within the scope of their consumption. The sudden and large-scale increase in the demand for the indispensable means of subsistence will doubtless raise their prices immediately. The consequence: a greater part of the social capital will be employed in the production of necessities of life and a smaller in the production of luxuries, since these fall in price on account of the decrease in surplus-value and the consequent decrease in the demand of the capitalists for these articles. On the other hand as the labourers themselves buy articles of luxury, the rise in their wages does not promote an increase in the prices of the necessities of life but simply displaces buyers of luxuries. More luxuries than before are consumed by labourers, and relatively fewer by capitalists. *Voilá tout*. After some oscillations the value of the mass of circulating commodities is the same as before. As for the momentary fluctuations, they will not have any other effect than to throw unemployed money-capital into domestic circulation, capital which hitherto sought employment in speculative deals on the stock-exchange or in foreign countries.

Reply to the second formulation: If it were in the power of the capitalist producers to raise the prices of their commodities at will, they could and would do so without a rise in wages. Wages would never rise if commodity prices fell. The capitalist class would never resist the trades' unions, if it could always and under all circumstances do what it is now doing by way of exception, under definite, special, so to say local, circumstances, to wit, avail itself of every rise in wages in order to raise prices of commodities much higher yet and thus pocket greater profits.

The assertion that the capitalists can raise the prices of luxuries, because the demand for them decreases (in consequence of the reduced demand of the capitalists whose means of purchasing such articles has decreased) would be a very

unique application of the law of supply and demand. Since it is not a mere displacement of luxury buyers, a displacement of capitalists by labourers — and so far as this displacement does occur, the demand of the labourers does not stimulate a rise in the prices of necessities, for the labourers cannot spend that portion of their increased wages for necessities which they spend for luxuries — the prices of luxuries fall in consequence of reduced demand. Capital is therefore withdrawn from the production of luxury articles, until their supply is reduced to dimensions corresponding to their altered role in the process of social production. With their production thus reduced, they rise in price — their value otherwise unchanged — to their normal level. So long as this contraction, or this process of levelling, lasts and the prices of necessities rise, as much capital is supplied to the production of the latter as is withdrawn from other branches of production, until the demand is satisfied. Then the equilibrium is restored and the end of the whole process is that the social capital, and therefore also the money-capital, is divided in a different proportion between the production of the necessities of life and that of luxury articles.

The entire objection is a bugbear set up by the capitalists and their economic sycophants.

The facts which serve as the pretext for this bugbear are of three kinds:

1) It is a general law of money circulation that, other things being equal, the quantity of money in circulation increases with a rise in the sum of the prices of circulating commodities, irrespective of whether this augmentation of the totality of prices applies to the same quantity of commodities or to a greater quantity. The effect is then confused with the cause. Wages rise (although the rise is rare, and proportional only in exceptional cases) with the rising prices of the necessities of life. Wage advance are the consequence, not the cause, of advances in the prices of commodities.
2) In the case of a partial, or local, rise of wages — that is, a rise only in some branches of production — a local rise in the prices of the products of these branches may follow. But even this depends on many circumstances. For instance that wages were not abnormally depressed and that therefore the rate of profit was not abnormally high; that the market for these goods is not narrowed by the rise in prices (hence a contraction of their supply previous to raising their prices is not necessary), etc.
3) In the case of a general rise in wages the price of the produced commodities rises in branches of industry where the variable capital preponderates, but falls on the other hand in branches where the constant, or fixed, capital preponderates.

We found in our study of the simple circulation of commodities (Buch I, Kap. III, 2) [English edition: Ch. III. — *Ed*.] that, though the money-form of any definite quantity of commodities is only transient within the sphere of circulation, still the money transiently in the hands of one man during the metamorphosis of a certain commodity necessarily passes into the hands of another, so that in the first instance commodities are not only exchanged allsidedly, or replace one another, but this replacement is promoted and accompanied by an all-sided precipitation of money. "When one commodity replaces another, the money-commodity always sticks to the hands of some third person. Circulation sweats money from every pore." (Buch I, S. 92.) [English edition: p. 113. — *Ed*.] The same identical fact is expressed, on the basis of the capitalist production of commodities, by a portion of capital constantly existing in the form of money- capital, and a portion of surplus-value constantly being found in the hands of its owners, likewise in the form of money.

Apart from this, the *circuit of money* — that is, the *return* of money to its point of departure — being a phase of the turnover of capital, is a phenomenon entirely differently from, and even the opposite of, the *currency of money*,[33] which expresses its steady departure from the starting-point by changing hands again and again. (Buch I, S. 94.) [English edition: pp. 114-15. — *Ed*.] Nevertheless, an accelerated turnover implies *eo ipso* an accelerated currency.

First concerning the variable capital: If a certain money-capital of, say, £500 is turned over the form of variable capital ten times a year, it is evident that this aliquot part of the quantity of money in circulation circulates ten times its value, or £5,000. It circulates ten times a year between the capitalist and the labourer. The labourer is paid, and pays, ten times a year with the same aliquot part of the circulating quantity of money. If the same variable capital were turned over only once a year, the scale of production remaining the same, there would be only one capital turnover of £5,000.

Furthermore: Let the constant portion of the circulating capital be equal to £1,000. If the capital is turned over ten times, the capitalist sells his commodity, and therefore also the constant circulating portion of its value, ten times a year. The same aliquot part of the circulating quantity of money (equal to £1,000) passes ten times per annum from the hands of its owners into those of the capitalist. This money changes hands ten times. Secondly, the capitalist buys means of production ten times a year. This again makes ten circulations of money from one hand into another. With a sum of money amounting to £1,000, the industrial capitalist sells £10,000 worth of commodities, and again buys £10,000 worth of commodities. By

means of 20 circulations of £1,000 in money a commodity-supply of £20,000 is circulated.

Finally, with an acceleration of the turnover, the portion of money with realises the surplus-value also circulates faster.

But, conversely, an acceleration of money-circulation does not necessarily imply a more rapid turnover of capital, and therefore of money; that is, it does not necessarily imply a contraction and more rapid renewal of the reproduction process.

A more rapid circulation of money takes place whenever a larger number of transactions are performed with the same amount of money. This may also take place under the same periods of capital reproduction as a result of changes in the technical facilities for the circulation of money. Furthermore, there may be an increase in the number of transactions in which money circulates without representing actual exchanges of commodities (marginal transactions on the stock-exchange, etc.). On the other hand some circulations of money may be entirely eliminated, as for instance where the agriculturist is himself a landowner, there is no circulation of money between the farmer and the landlord; where the industrial capitalist is himself the owner of the capital, there is no circulation of money between him and the creditors.

As for the primitive formation of a money-hoard in a country, and its appropriation by a few, it is unnecessary to discuss it in detail at this point.

The capitalist mode of production — its basis being wage-labour, the payment of the labourer in money, and in general the transformation of payments in kind into money payments — can assume greater dimensions and achieve greater perfection only where there is available in the country a quantity of money sufficient for circulation and the formation of a hoard (reserve fund, etc.) promoted by it. This is the historical premise, although it is not to be taken to mean that first a sufficient hoard is formed and then capitalist production begins. It develops simultaneously with the development of the conditions necessary for it, and one of these conditions is a sufficient supply of precious metals. Hence the increased supply of precious metals since the sixteenth century is an essential element in the history of the development of capitalist production. But so far as the necessary further supply of money material on the basis of capitalist production is concerned, we see surplus-value incorporated in products thrown into circulation without the money required for their conversion into money, on the one hand, and on the other

surplus-value in the form of gold without previous transformation of products into money.

The additional commodities to be converted into money find the necessary amount of money at hand, because on the other side additional gold (and silver) intended for conversion into commodities is thrown into circulation, not by means of exchange, but by production itself.

II. Accumulation and Reproduction on an Extended Scale

Since accumulation takes place in the form of extended reproduction, it is evident that it does not offer any new problem with regard to money-circulation.

In the first place, as far as the additional money-capital required for the functioning of the increasing productive capital is concerned, that is supplied by the portion of the realised surplus-value thrown into circulation by the capitalists as money-capital, not as the money-form of the revenue. The money is already in the hands of the capitalists. Only its employment is different.

Now however in consequence of the additional productive capital, its product, an additional mass of commodities is thrown into circulation. Together with this additional quantity of commodities, a part of the additional money needed for its realisation is thrown into circulation, inasmuch as the value of this mass of commodities is equal to that of the productive capital consumed in their production. This additional amount of money has been advanced precisely as additional money-capital, and therefore returns to the capitalist through the turnover of his capital. Here the same question as above re-appears. Where does the additional money come from with which to realise the additional surplus-value now contained in the form of commodities?

The general reply is again the same. The sum total of the prices of the circulating commodities has been increased, not because the prices of a given quantity of commodities have risen, but because the mass of commodities now circulating is greater than that of the previously circulating commodities, without it being offset by a fall in prices. The additional money required for the circulation of this greater quantity of commodities of greater value must be secured either by greater economy in the use of the circulating quantity of money — whether by balancing the payments, etc., by measures which accelerate the circulation of the same coins — or by the transformation of money from the form of a hoard into that of a circulating medium. The latter does not only imply that idle money-capital begins to function as a means of purchase or payment, or that money-capital already functioning as a reserve fund while performing this function for its owner, actively

circulates for society (as is the case with bank deposits which are continually lent), thus performing a double function. It also implies that the stagnating reserve funds of coins are economised.

"In order that money should flow continuously as coin, coin must constantly coagulate as money. The continual currency of coin depends on its continual stagnation, in greater or smaller quantities, in reserve funds of coin which spring up throughout the sphere of circulation and also necessitate it; the formation, distribution, dissolution, and re-formation of these reserve funds are constantly alternating, their existence constantly disappears, their disappearance constantly exists. Adam Smith ex-pressed this never-ceasing transformation of coin into money and of money into coin by saying that every owner of commodities must always keep in supply, aside from the particular commodity which he sells, a certain quantity of the universal commodity with which he buys. We saw that in the circulation C—M—C the second member M—C splits up constantly into a series of purchases which do not take place at once but at successive intervals of time, so that one part of M is current as coin while the other rests as money. As a matter of fact money is in that case only suspended coin and the separate parts of the current mass of coins continuously appear now in the one form, and now in the other, alternating constantly. This first transformation of the medium of circulation into money represents, therefore, but a technical aspect of money-circulation itself." (Karl Marx, *Zur Kritik der Politischen Oekonomie*, 1859, SS. 105, 106.) ("Coin" as distinguished from money is here employed to indicate money in its function of a mere medium of circulation in contrast with its other functions.)

When all these measures do not suffice, additional gold must be produced, or, what amounts to the same, a part of the additional product exchanged, directly or indirectly, for gold — the product of countries in which precious metals are mined.

The entire amount of labour-power and social means of production expended in the annual production of gold and silver intended as instruments of circulation constitutes a bulky item of the *faux frais* of the capitalist mode of production, of the production of commodities in general. It is an equivalent abstraction from social utilisation of as many additional means of production and consumption as possible, i.e., of real wealth. To the extent that the costs of this expensive machinery of circulation are decreased, the given scale of production or the given degree of its extension remaining constant, the productive power of social labour is *eo ipso* increased. Hence, so far as the expediencies developing with the credit system have this effect, they increase capitalist wealth directly, either by performing a large portion of the social production and labour-power without any intervention of real money, or by raising the functional capacity of the quantity of money really functioning.

This disposes also of the absurd question whether capitalist production in its present volume would be possible without the credit system (even if regarded only from this point of view), that is, with the circulation of metallic coin alone. Evidently this is not the case. It would rather have encountered barriers in the volume of production of precious metals. On the other hand one must not entertain any fantastic illusions on the productive power of the credit system, so far as it supplies or sets in motion money-capital. A further analysis of this question is out of place here.

We have now to investigate the case in which there takes place no real accumulation, i.e., no direct expansion of the scale of production, but where a part of the realised surplus-value is accumulated for a longer or shorter time as a money-reserve fund, in order to be transformed later into productive capital.

Inasmuch as the money so accumulating is additional money, the matter needs no explanation. It can only be a portion of the surplus-gold brought from gold-producing countries. In this connection it must be noted that the home product, in exchange for which this gold is imported, is no longer in the country in question. It has been exported to foreign countries in exchange for gold.

But if we assume that the same amount of money is still in the country as before, then the accumulated and accumulating money has accrued from the circulation. Only its function is changed. It has been converted from money in currency into latent money-capital gradually taking shape.

The money which is accumulated in this case is the money-form of sold commodities, and moreover of that part of their value which constitutes surplus-value for their owner. (The credit system is here assumed to be non-existent.) The capitalist who accumulates this money has sold *pro tanto* without buying.

If we look upon this process merely as an individual phenomenon, there is nothing to explain. A part of the capitalists keeps a portion of the money realised by the sale of its product without withdrawing products from the market in return. Another part of them on the other hand transforms its money wholly into products, with the exception of the constantly recurring money-capital required for running the business. One portion of the products thrown upon the market as vehicles of surplus-value consists of means of production, or of the real elements of variable capital, the necessary means of subsistence. It can therefore serve immediately for the expansion of production. For it has not been premised in the least that one part

of the capitalists accumulates money-capital, while the other consumes its surplus-value entirely, but only that one part does its accumulating in the shape of money, forms latent money-capital, while the other part accumulates genuinely, that is to say, enlarges the scale of production, genuinely expands its productive capital. The available quantity of money remains sufficient for the requirements of circulation, even if, alternately, one part of the capitalists accumulates money, while the other enlarges the scale of production, and vice versa. Moreover, the accumulation of money on one side may proceed even without cash money by the mere accumulation of outstanding claims.

But the difficulty arises when we assume not an individual, but a general accumulation of money-capital on the part of the capitalist class. Apart from this class, according to our assumption — the general and exclusive domination of capitalist production — there is no other class at all except the working-class. All that the working-class buys is equal to the sum total of its wages, equal to the sum total of the variable capital advanced by the entire capitalist class. This money flows back to the capitalist class by the sale of its product to the working-class. Its variable capital thus resumes its money-form. Let the sum total of the variable capital be x times £100, i.e., the sum total of the variable capital employed, not advanced, during the year. The question now under consideration is not affected by how much or how little money, depending on the velocity of the turnover, is needed to advance this variable capital-value during the year. The capitalist class buys with these x times £100 of capital a certain amount of labour-power, or pays wages to a certain number of labourers — first transaction. The labourers buy with this same sum a certain quantity of commodities from the capitalists, whereby the sum of x times £100 flows back into the hands of the capitalists — second transaction. And this is constantly repeated. This amount of x times £100, therefore, can never enable the working-class to buy the part of the product which represents the constant capital, not to mention the part which represents the surplus-value of the capitalist class. With these x times £100 the labourers can never buy more than a part of the value of the social product equal to that part of the value which represents the value of the advanced variable capital.

Apart from the case in which this universal accumulation of money expresses nothing but the distribution of the precious metal additionally introduced, in whatever proportion, among the various individual capitalists, how is the entire capitalist class then supposed to accumulate money?

They would all have to sell a portion of their product without buying anything in return. There is nothing mysterious about the fact that they all have a certain fund of money which they throw into circulation as a medium of circulation for their consumption, and a certain portion of which returns to each one of them from the

circulation. But in that case this money-fund exists precisely as a fund for circulation, as a result of the conversion of the surplus-value into money, and does not by any means exist as latent money-capital.

If we view the matter as it takes place in reality, we find that the latent money-capital, which is accumulated for future use, consists:

1) Of deposits in banks; and it is a comparatively trifling sum which is really at the disposal of the bank. Money-capital is accumulated here only nominally. What is actually accumulated is outstanding claims which can be converted into money (if ever) only because a certain balance arises between the money withdrawn and the money deposited. It is only a relatively small sum that the bank holds in its hands in money.
2) Of government securities. These are not capital at all, but merely outstanding claims on the annual product of the nation.
3) Of stocks. Those which are not fakes are titles of ownership of some corporative real capital and drafts on the surplus-value accruing annually from it.

There is no accumulation of money in any of these cases. What appears on the one side as an accumulation of money-capital appears on the other as a continual actual expenditure of money. It is immaterial whether the money is spent by him who owns it, or by others, his debtors.

On the basis of capitalist production the formation of a hoard as such is never an end in itself but the result either of a stagnation of the circulation — larger amounts of money than is generally the case assuming the form of a hoard — or of accumulations necessitated by the turnover; or, finally, the hoard is merely the creation of money-capital existing temporarily in latent form and intended to function as productive capital.

If therefore on the one hand a portion of the surplus-value realised in money is withdrawn from circulation and accumulated as a hoard, another part of the surplus-value is at the same time continually converted into productive capital. With the exception of the distribution of additional precious metals among the members of the capitalist class, accumulations in the form of money never takes place simultaneously at all points.

What is true of the portion of the annual product which represents surplus-value in the form of commodities, is also true of the other portion of it. A certain sum of money is required for its circulation. This sum of money belongs to the capitalist class quite as much as the annually produced quantity of commodities which

represents surplus-value. It is originally thrown into circulation by the capitalist class itself. It is constantly redistributed among its members by means of the circulation itself. Just as in the case of circulation of coin in general, a portion of this sum stagnates at ever varying points, while another portion continually circulates. Whether a part of this accumulation is intentional, for the purpose of forming money-capital, or not, does not alter things.

No notice has been taken here of those adventures of circulation in which one capitalist grasps a portion of the surplus-value, or even of the capital, of another, thereby bringing about one-sided accumulation and centralisation of money-capital as well as of productive capital. For instance a part of the snatched surplus-value accumulated by A as money-capital may be a part of the surplus-value of B which does not return to him.

Notes

33 Although the physiocrats still confuse these two phenomena, they were the first to emphasise the reflux of money to its starting-point as the essential form of circulation of capital, as that form of circulation which promotes reproduction. "Cast a glance at the *Tableau Economique* and you will see that the productive class provides the money with which the other classes buy products from it, and that they return this money to it when they come back next year to make the same purchases. . . . You see, then, no other circle here but that of expenditure followed by reproduction, and of reproduction followed by expenditure, a circle described by the circulation of money, which measures expenditure and reproduction." (Quesnay, *Dialogues sur le Commerce et sur les Travaux des Artisans*, Daire edition, Physiocrats, I, pp. 208, 209.) "It is this continual advance and return of capitals which should be called the circulation of money, this useful and fertile circulation which gives life to all the labours of society, which maintains the activity and life of the body politic, and which is quite rightly compared to the circulation of blood in the animal body." (Turgot, *Reflexions, etc*., Oeuvres, Daire edition, I, p. 45.)

From: http://www.marxists.org/archive/marx/works/1885-c2/ch17.htm

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